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Message Text

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22
ACTION OES-06

INFO OCT-01 EUR-12 EA-09 ISO-00 FEA-01 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 SP-02 SS-15 STR-04 TRSE-00 ACDA-10

CEQ-01 EPA-04 IO-13 NSF-02 /139 W
---------- 020810
R 060657Z JUL 76
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 8462
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY OSLO
AMEMBASS PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA
USMISSION IAEC VIENNA
ERDA HQ WASHDC
ERDA HQ GERMANTOWN MD

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E.O. 11652: N/A
TAGS: EMIN, ENRG, AS
SUBJECT: PROPOSED URANIUM PROCESSING AND ENRICHMENT PLANT IN SOUTH AUSTRALIA

1. BEGIN SUMMARY: THE SOUTH AUSTRALIAN (S.A.) GOVERNMENT HAS PUBLICIZED THE SECOND INTERIM REPORT OF ITS URANIUM ENRICHMENT COMMITTEE. THE REPORT, PREPARED BY THE PREMIER'S DEPARTMENT IN FEBRUARY 1976, SETS FORTH A PLAN FOR THE DEVELOPMENT OF A URANIUM PROCESSING AND ENRICHMENT FACILITY BASED ON CENTRIFUGE TECHNOLOGY. THE PLANT WOULD BE LOCATED
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ON THE SPENCER GULF AT REDCLIFF, S.A.

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2. S.A. PREMIER DUNSTAN HAS STATED THAT NO COMMITMENTS ON THE PROJECT WOULD BE MADE UNTIL COMPLETION OF THE RANGER INQUIRY, BUT HE SEES NO REASON WHY TALKS CANNOT PROCEED PRIOR TO THE COMPLETION OF THE INQUIRY. S.A. MINES MINISTER, HUGH HUDSON, IS CURRENTLY ABROAD DISCUSSING THE PROJECT IN THE U.K., NORWAY, FRANCE, SWITZERLAND, AUSTRIA, AND ITALY.

3. DOUG ANTHONY, COMMONWEALTH MINISTER FOR NATIONAL RESOURCES, STATED THAT THE COMMONWEALTH GOVERNMENT WOULD HAVE THE FINAL SAY ON WHETHER OR NOT THE PROJECT WOULD GO AHEAD IN S.A. ANTHONY ALSO STATED THAT THE S.A. STUDY WAS QUITE CONSISTENT WITH THE COMMONWEALTH'S VIEW THAT THE FEASIBILITY OF URANIUM ENRICHMENT IN AUSTRALIA SHOULD BE FULLY EXPLORED.

4. THE S.A. GOVERNMENT ANNOUNCEMENT COMES AT A TIME WHEN THE GOA IS WHOLLY COMMITTED TO DEFER ACTION RELATING TO FUTURE URANIUM MINING UNTIL THE RANGER INQUIRY IS COMPLETED, HOPEFULLY IN AUGUST. END SUMMARY.

5. THE QTE CONFIDENTIAL END QTE STUDY HAS BEEN PUB-LICIZED AND RELEASED TO THE PRESS BY THE S.A. GOVERN-MENT. EMBOFF TALKED WITH B.P. WEBB, SECRETARY OF THE S.A. DEPARTMENT OF MINES AND HE WILL BE SENDING THE EMBASSY A COPY OF THE REPORT.

6. THE URANIUM PROCESSING AND ENRICHMENT FACILITY WOULD BE CONSTRUCTED IN TWO STAGES OVER A PERIOD OF EIGHT YEARS. DURING THE FIRST STAGE OF DEVELOPMENT, A RELATIVELY SIMPLE CONVERSION PLANT WOULD BE CONSTRUCTED TO CONVERT YELLOWCAKE TO URANIUM HEXAFLOURIDE. THE PLANT WOULD PROCESS 5000 TONNES OF YELLOWCAKE A YEAR. IN STAGE TWO URANIUM HEXAFLOURIDE WOULD BE ENRICHED TO THREE PERCENT U235 UTILIZING FIVE CENTRIFUGE HALLS, EACH CAPABLE OF PROCESSING 1920 TONNES OF URANIUM A YEAR. EACH CENTRIFUGE HALL WOULD CONTAIN 105,000 CENTRIFUGES. WHEN COMPLETED IN 1985, THE PROJECT WOULD CONSIST OF TWO HEXAFLUORIDE CON-VERSION PLANTS AND FIVE CENTRIFUGE HALLS, TOGETHER
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WITH SERVICING BUILDINGS.

7. THE REPORT STATED THAT CONSTRUCTION OF THE FACILITY WOULD COST $A 1400 MILLION, AT 1975 PRICES. SINCE THE RELEASE OF THE REPORT, THE S.A. GOVERNMENT HAS STATED THAT THE COST WOULD BE QTE MARKEDLY IN EXCESS END QTE OF THE $A 1400 MILLION. IDEALLY, THE S.A. GOVERNMENT FAVORS FINANCING THROUGH THE AUSTRALIAN INDUSTRY

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DEVELOPMENT CORPORATION (AIDC), BUT FOREIGN INVESTORS WOULD
BE WELCOME PROVIDING AUSTRALIAN MANAGERIAL AND FINANCIAL
CONTROL IS MAINTAINED. S.A. GOVERNMENT DOES NOT OPPOSE COMMONWEALTH
CONTROL OF THE PROJECT, BUT IT WANTS TO BE ASSURED THAT
THE PROJECT IS DEVELOPED IN S.A.

8. WHEN FULLY OPERATIONAL, IT WOULD BE AUSTRALIA'S
LARGEST SINGLE INDUSTRIAL COMPLEX. THE REPORT STATES
THAT THE PROJECT WOULD GENERATE AN INCOME OF
$A 426.5 MILLION A YEAR. AT CURRENT PRICES, IT IS
PROJECTED THAT THE COMPLEX WOULD MAKE POSSIBLE
AUSTRALIAN URANIUM EXPORTS OF $A 1000 MILLION PER YEAR
(CURRENT PRICES).

9. BEGIN COMMENT: THE S.A. GOVERNMENT PROPOSAL FOR
ESTABLISHING A URANIUM PROCESSING AND ENRICHMENT
FACILITY SHOULD BE CONSIDERED AS NOTHING MORE THAN A
UNILATERAL PROPOSAL BY A STATE GOVERNMENT. THE
PROJECT HAS NO COMMONWEALTH SUPPORT OTHER THAN THE
FACT THAT STUDIES CONCERNING THE FEASIBILITY OF
URANIUM ENRICHMENT IN AUSTRALIA ARE NOT DISCOURAGED
BY THE GOA. SA'S ACTIONS WILL OBVIOUSLY INCREASE
INTERSTATE COMPETITION FOR THE SITING OF A POSSIBLE
ENRICHMENT FACILITY. WESTERN AUSTRALIA, QUEENSLAND,
AND THE NORTHERN TERRITORY ARE ALSO ACTIVE PARTICIPANTS
IN THE URANIUM GAME AND ALL ITS FUTURE RAMIFICATIONS.

10. S.A. PREMIER DUNSTAN IS BEING CRITICIZED BY THE
AUSTRALIAN RAILWAYS UNION, WHICH STATES IT WOULD NOT
HANDLE MATERIALS TO OR FROM THE PLANT, ENVIRONMENTALISTS,
AND THE LEFT IN HIS OWN AUSTRALIAN LABOR PARTY, WHICH
FAVORS LEAVING THE URANIUM IN THE GROUND. THE S.A.
PARLIAMENTARY OPPOSITION, WHILE IT SUPPORTED THE
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PROPOSAL IN PRINCIPLE, HAS CALLED FOR AN ENVIRONMENTAL
INQUIRY TO ASSESS THE IMPACT ON THE HEALTH AND SAFETY
OF SOUTH AUSTRALIANS. THE COMMONWEALTH GOVERNMENT HAS
BEEN RESERVED BUT COMMONWEALTH OFFICIALS HAVE AGREED TO
DISCUSS THE PROJECT WITH S.A. GOVERNMENT OFFICIALS.
END COMMENT. HARGROVE

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